

**Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319**

FINAL

May 19, 2011

To ensure the most efficient use of State resources, the May 19, 2011, ITTC meeting was held via a video conference pursuant to Iowa Code section 21.8. A video conference also ensured more Commissioners were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present

Betsy Brandsgard, Chairperson (via video-conference)
Robert R. Hardman, Member (via video-conference)
Shannon Cofield, Member (on-Site)
Richard Bruner, Member (via video-conference)
Tim Lapointe, Member (via video-conference)
David A. Vaudt, Ex-Officio Member (On-Site)

Iowa Communications Network Staff Present:

Dave Lingren, Executive Director
Joseph Cassis, Business and Governmental Services (BGS) Director
Kevin Heinzeroth, Finance Director
Will Walling, Network Operations & Engineering Director
Phil Groner, Business Services Manager
Tami Fujinaka, Government Relations Officer
Alexis Slade, Executive Secretary (Recorder)

Guests:

Rob Smith, Fiberutilities Group
Mike Eggle, Iowa Network Services
Meghan Gavin, Attorney General's Office
Marcia Tannian, Legislative Services Agency
Joe Hrdlicka, Iowa Telecom Association

Call to Order

Commissioner Brandsgard called the meeting to order at 9:00am. It was noted that a quorum of members were present for the meeting.

Approval of the 03/31/2011 and 4/20/2011 Meeting Minutes:

Commissioner Hardman moved for approval of the March 31, 2010, and April 20, 2011, meeting minutes; Commissioner Cofield seconded the motion: A roll call vote was taken; Minutes approved.

Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Bruner – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Old Business:

Sale/Lease RFP - Dave Lingren

ICN is taking two approaches with the Sale/Lease of the ICN. One is gathering information necessary for the Request for Proposal (RFP) that must be written, by posting a Request for Information (RFI) which was sent to 20 different vendors on May 13, 2011. The RFI's are due by May 20, 2011, at 4pm. Once the RFI's are received, the ICN will evaluate how many of those vendors and others would respond to the RFP and how many vendors demonstrate some of the qualifications to manage the RFP project for the ICN because we don't have the resources to do it. The second approach is to work with the Legislature to get an extension of 12 months on the RFP. Right now with everything that's going on in the Legislature, an extension is not their number one topic, but the ICN has been informed by the House Republicans that they plan to place that extension request as an amendment to one of the existing bills out there.

Q. Does the ICN have a sense of the interest in the RFI and how many people may reply?

A. Contracting would have that information. The ICN requested a quick turn around on the return of this RFI because there are only about 12 to 24 questions that ask for a yes or no answer and to provide their experience if an answer is yes. In addition, the ICN has to keep moving forward as if the RFP has to be completed by the end of Fiscal Year (FY) 2012.

Q. What's the next step after ICN receives the responses back?

A. ICN will consult with the AG's office. If there is more than one qualifier then ICN will have to figure out how we must choose one vendor to conduct the work needed.

Q. What do you think the contract might cost for a company or organization to manage the RFP process for the ICN?

A. ICN is estimating it'll cost \$50,000 to \$60,000 per month.

Q. Has the ICN thought of ways to accommodate that kind of dollar figure within the budget?

A. The ICN does not have the option of paying for this expense; it must be funded with ICN funds. ICN asked Governor's Office if we could offer an amendment to get an appropriation to pay for this, but the Department of Management, responding on behalf of the Governor's Office, said it's the responsibility of the ICN to pay for cost of writing an RFP. ICN has made some adjustments to the budget and we hope that some of the new money coming from the hospitals that are coming on line will provide some funds that will assist with the RFP cost. State agencies have been directed to stop using cellular phones in place of desktop phones, so that should stop some of the losses ICN was having in the voice revenue. Also, the ICN is looking at a small increase of line side services.

Broadband Opportunities Grant (BTOP) Project Progress – Joseph Cassis/Kevin Heinzeroth

The warehouse configuration has been set up and is ready for receiving the equipment that will be coming in, including consumables that will be deployed out. There are three initial orders that'll be placed by May 27, 2011, for the test sites, the initial truck stock, and the initial warehouse consumables. We've received some major equipment components already in the warehouse. Two tests have been planned for the week of May 23, 2011, to confirm procedures are sound and the estimated time is accurate to deploy the hardware and turn it up is within the scheduled maintenance windows. In order to be proactive with possible service disruptions, a customer communication plan has been developed to include a general announcement, followed by two communiqués regarding that customers specific site effect, one a couple weeks before implementation teams arrives, then that week, including dates and times.

A contract for the Indefeasible Right of Use (IRU's) for the dark fiber has been awarded. All of the federal compliance reporting for last quarter has been completed and approved by the National Telecommunications and Information Administration (NTIA). ICN is working with Iowa Telecommunications Enterprise (ITE) and the payroll staff at the Department of Administrative Services (DAS) to identify four to five activity codes that

can be placed in the payroll system and have ICN staff post directly to those for BTOP project time reporting. This new time reporting system will be in compliance with the federal regulations that require the reporting of all time expended any BTOP funded projects employees plan to be reimbursed for. The NTIA site visit is set for June 13, 2011 – June 14, 2011, to review ICN documentation protocols and procedures. NTIA would also like to show the ICN a presentation on some of the points they'd like to make on the compliance side and for the overall objectives of the program. ICN's sub recipients, the Sac & Fox Tribe and Decorah MetroNet, are doing well with their part of the project. Sac & Fox had one item related to the Environmental Assessment they had to complete. Sac and Fox had to come to an agreement with NTIA to conduct a desktop archeological study which was completed the week of May 9, 2011, without any concerns with regards to burial sites or antiquities that may exist on their sovereign nation land. The Sac and Fox Tribe has posted an RFP for engineering consulting assistance in which they'll need on an ongoing basis. The Decorah MetroNet sub recipient identified Fiberutilities Group to help them with their project management.

Administrative Rules Update – Tami Fujinaka

During the week of May 9, 2011, the ICN was requested to appear before the Legislative Administrative Rules Committee, regarding ICN's new rules, to provide a quick summary of the rules. The committee had no questions.

New Business:

Review 2011 ICN Budget to Actual Financials – Kevin Heinzeroth

Finance is currently reviewing the April 2011 budget statements and hopes to have those available for review by the week of May 23, 2011. For the month of March 2011, ICN had a slight positive increase in revenue from Operations. In March 2011, ICN had \$106,000 in revenue from Operations which puts revenue for the year at \$684,000 cash for Operations compared to \$2 million in revenue that was earned last year. Where we're seeing the differences between the two years is in video which is down by over \$400,000, voice is down almost \$500,000, but data services, installation and other revenues are up. This year the ICN has had increased maintenance costs, increased Outside Plant (OSP) work, and increased payments for the transfer of services to ITE for computer support. ICN has incurred costs related to the Iowa Health Systems (IHS) fiber bills which were reflected in the March 2011 statement. Tentatively it looks like the ICN can increase revenues in Operations by approximately \$300,000 when some of those IHS expenses are removed. ICN has spent more on equipment this year. Included in those expenses is the network equipment that's required to be purchased for the IRU builds.

Q. In a previous ITTC meeting the Commissioners were made aware that the State of Iowa employees were being directed by the Department of Administrative Services (DAS) to use their cellular phones instead of desktop telephones. How has that directive hurt ICN's budget and how will it affect the future budget?

A. The ICN had discussions with DAS on that decision but they went forward with a pilot believing they could demonstrate that there would be an overall savings to the State of Iowa. That pilot was completed in April 2011. DAS and ICN reviewed the results of the pilot and it was found that there were no overall savings. Some of the reasons there were no savings is because the ICN had to initiate a three percent raise for the cost of desktop telephones and DAS had to purchase additional minutes and maintenance on the cellular phones. The outcome was that there was no money saved and additional costs were incurred by the State. The pilot has ended and all Iowa State employees have been directed that this is not a way to go. ICN is working on a unified communications plan and different types of technology upgrades that would allow the cellular phone to be integrated within ICN's system.

FY 12 Budget Update – Kevin Heinzeroth

Voice and Long Distance Services: Finance has reviewed the trends of this current year (FY 2011) in each area and has worked with the head of each department to get their input on what is expected in their areas. Finance worked with Sales to adjust the revenue forecast. As a result of that review Finance increased the gross

revenues for the FY 2012 budget by \$473,000. Revenues were decreased in the areas of Voice, Long Distance and 1-800 services based upon the trends ICN was seeing. Revenues were increased for Prisoner Operator services. When the initial budget was drafted in September 2010, the ICN was in negotiations with the Department of Corrections on some rate changes. The rates ICN used in the projects in September 2010, were higher than what the final rates ended up being, so those revenues were increased by \$300,000 in that area.

Data Services: Revenues were increased for Internet bandwidth and Ethernet circuits, which will be coming online. IT costs are expected to increase as the ICN continues to move Server and PC support to ITE. The IT expense will become an anticipated increasing expense category. This is a result of Executive Order 20 and Senate File 2088, which is now law, which is requiring a conversion of IT services. The ICN is complying with the law and as we comply it's costing more money to pay ITE to do what the ICN can do. That will be a continued increased expense as we pay that higher rate to ITE.

Video Services: Video service revenues were adjusted downward based on current trends.

Installation Services: There was a slight increase in installation revenues due to expected Ethernet connections installations.

Maintenance Services: On the indirect expense side, maintenance costs increased; ICN had to add additional support costs for the Hi-path 4,000. ICN also expects there to be an increase in maintenance costs due to the contract with PAETEC for Moves, Adds and Changes (MAC) hour charges.

OSP: No material changes are expected from what was budgeted last fall. ICN had to pay PAETEC additional fees because the number of MAC hours stated in the contract were exceeded; ICN expects that could continue into the upcoming 2012 calendar year.

Personnel: ICN initially budgeted for 90 Full Time Employees (FTE's), this budget revision decreased the number by two FTE's. Also, a couple of the positions that were to be filled were reclassified to lower salaries which decreased the expected personnel budget by \$270,000.

Professional Services: The new budget will include the expected cost of \$660,000 for the writing of the RFP.

Q. If the ICN spends \$300,000 less on equipment how will that affect daily operations?

A. The ICN will be relying on older equipment for a longer period of time. The ICN has a network with a lot of components on it that will always need to be replaced with different things here and there. One of the main areas that could potentially be impacted by the decreased equipment budget would be the Video Services Project (VSP), in which the ICN is trying to make some investments replacing equipment such as video codec's.

With the BTOP project some of the money we'd usually spends on equipment replacement falls into the BTOP project and will be replaced with BTOP equipment funds, which is not included in the above equipment dollar number.

Q Are there any budget adjustments for Video over IP (VoIP)?

A. A small amount was put in the budget for VoIP. ICN doesn't have a real good estimate of what those services would be or when those services might start at this point. Executive Director Lingren established a December 1, 2011, date to roll out the IP video product. As far as revenues, ICN is projecting that for the first-year new revenues will not exceed \$100,000.

Q. What is the affect of the five-year IRU issue? In the past there were talks about some potential overages, how is that impacting the bottom line?

A. The BTOP team had to make some adjustments to the IRUs. The NTIA recognizes the five-year IRUs as an operating expense and not a potential capital expense, so the IRU's will be addressed in a

different manner. ICN removed the five-year IRU's out of the BTOP grant, its part of the project, and ICN will be paying for those out of the Operations budget. The five-year IRU's have now been changed to 20-year dark fiber leases. ICN will be paying for them as an expense like the circuits they will be replacing and that will be on a monthly basis. ICN does not have to pay the money up front for the dark fiber leases. There will be an increase in costs, but the ICN was planning on renewing these circuits within the next couple of years and that there would be increased costs in the area to begin with. These leases will cause approximately \$13,000 a month in additional expenses. ICN will not be bringing them all online at once, so the affect will be spread out over the next two years of the BTOP Grant.

Commissioner Lapointe moved to approve the proposed budget changes; Commissioner Cofield seconded the motion: A roll call vote was taken; the proposed budget was approved.

Commissioner Hardman – Yes
Commissioner Bruner – Yes
Commissioner Cofield – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Action – Certified User Waiver Requests – Phil Groner

ICN has one redundant internet connection waiver request.

1. Heartland Area Education Agency (AEA)

ICN staff has reviewed this waiver and recommends approval.

Discussion:

Heartland AEA's request is for a redundant Internet connection to provide their location in Johnston with a physically diverse Internet connection and redundant Internet Service Provider (ISP) as a secondary connection to ICN's primary Internet service.

Q. What affect will House File (HF) 254, which removes the waiver requirement for specific ICN Certified Users, have on ITTC's waiver process?

A. The legislation passed HF 254 and it has been signed by the Governor. HF 254 is limited to private Colleges, Universities and high schools, meaning they are the only ones who no longer have to go through the waiver process. Non-private institutions will still have to go through the waiver process. That was effective immediately when the bill was signed.

Q. There was talk about extending the waivers of the Public University and Colleges to three years, was that passed?

A. Yes, that was part of the provision as well. The ICN and ITTC are instructed that, when requested, to grant three year waivers.

Bruner moved for approval of the Heartland AEA Waiver request; Hardman seconded the motion: A roll call vote was taken; the Heartland AEA waiver was approved.

Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Bruner – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

VSP Update – Phil Groner

If the VSP project is complete by December 1, 2011, ICN can bid to the K-12 via the Universal Service Funds e-rate process for FY 2012. ICN expects through the bidding process to get a better idea of what future IP

Video revenue will be. ICN has completed the purchase agreement for the core IP equipment, and has selected Polycom and AVI as the integrator for that. The customer response for this VSP initiative continues to grow and be very positive.

Q. What will the VSP product bring to the schools districts?

A. It will provide school districts some flexibility. Today the MPEG 2 classrooms are very traditional looking classrooms, they are fixed, and there's no mobility to them. With an IP based system, their rooms can be used as a multi-purpose room for other types of classes, or they might be able to move that IP video conferencing system from room-to-room.

Other Business:

The ICN is considering releasing an RFP for Managed Services for voice services. ICN is trying to create a scenario for those in the education community in particular who are having trouble replacing or maintaining those systems. ICN is trying to create a comprehensive plan that would be beneficial throughout all of Iowa. At the same time ICN would take more of an administrative role by partnering with private sector providers.

Adjournment

Commissioner Cofield made a motion that the meeting be adjourned; Commissioner Bruner seconded the motion: With there being no further business, the ITTC Commission meeting adjourned at 10:06 am.

ATTESTED TO:



Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission